Inflation fears are heating up this week as Fed Chairman Ben Bernanke gave a speech in Boston on Friday, causing further frantic flight into gold by those fearful of the coming “quantitative easing” the Fed is set to deliver in November. Others who view gold as a short term investment engaged in immediate profit-taking after Bernanke's speech.

Gold is more correctly viewed as insurance against bad monetary policy decisions that erode the value of savings. Those bad decisions keep coming at an ever faster clip these days and we hear more and more talk of currency wars especially between the dollar, the Chinese yuan, the Japanese yen, the Australian dollar, and the Euro. As the economies of the world continue to stagnate or contract, monetary policy decisions become more relevant to people who once thought this topic arcane.

We have several examples this week of major fumbles on the part of the US Central Bank:

- The Federal Reserve continues to insist that inflation is too low, even while the monetary base remains at record levels, and food and gas prices continue to climb.

- As the Fed continues to drive down the value of the dollar, the government accuses China of deliberately devaluing its currency, and the House has passed legislation aimed at punishing China for this alleged devaluation.

- Low returns on US bonds are driving investors into higher-performing foreign bonds. Som e of these countries are responding by reinstituting capital controls to guard against hot money and the carry trade.

- The spat with China and reemergence of capital controls have led some to fear that we are in the first stages of an all-out currency war.

- The instability in the international monetary system, the decreasing value of the dollar, and the large amounts of new US debt could lead the IMF and countries such as China, Japan, Russia, India, and Brazil to abandon the dollar and adopt a new multinational currency.

While the big players in these currency games sort everything out, the people hurt the most are the savers, the workers, and those on fixed incomes as their money buys less and less. Make no mistake – the Fed and the Treasury Department are playing games with our money, especially in how they report statistics like unemployment and inflation.

These games erode our standard of living and hide just how much damage their inflationary policies are doing.

Official core inflation for the US is only 1.14%, but that excludes such crucial day-to-day goods such as food and energy. Real inflation certainly is higher, maybe much higher. John Williams of Shadow Government Statistics calculates true inflation at a whopping 8.48%!

But manipulated inflation statistics give the government cover when they again deny seniors a cost of living increase in their social security checks.

They also serve to convince the public that further expansion of the money supply will boost the economy without causing any real pain, which has essentially been the core argument of Greenspan-Bernanke fed policy for the last 20 years.

Of course, the United States is not alone in its disastrous monetary policy decisions. These pressures are inherent in any fiat monetary system where money is created at will, for the benefit of the special interests.

As all these currencies race to the bottom of the inflationary barrel, the only security to be had will be in honest money like gold as the system falls apart.

My hope is that we can return to the wisdom of the Constitution and get back to sound, commodity-backed money before our dollar suffers a wholesale collapse.